

They say Muscovy Duck is poultry pickings when served without Benmorven Riesling.



Benmorven Riesling. The wine that appreciates good food.

MONTANA

NEW ZEALAND'S
NATIONAL WEEKLY OF
BUSINESS, POLITICS
AND ECONOMICS

Incorporating Admark

80 cents

Inside

THE WEEK

Customs considers computer use in import crackdown — Page 3

Nearly stands by electrical workers' entitlement — Page 5

COMMENT

Editorial: Without word of a lie, Brockie's view — Page 6

The case for attracting tourists to New Zealand as it is — Page 7

Letters — Pages 8 and 22

POLITICS

Conference confidence crumbles during National's August — Page 9

ECONOMICS

Working up the costs and benefits at Twait Point — Page 11

O'BRIEN ON BUSINESS

Analysing annual accounts. The Post Office — Page 13

Wholesale trade figures confirm downward trend — Page 14

Council prepares checks on predators' dawn raids — Page 15

FILM INDUSTRY

Sales tax forces film-makers to go to Australian processors — Page 16

ENERGY

Government plan sets out energy and planning — Page 17

TRANSPORT

Alternative Railways policy, tried and true but sensible — Page 18

Road transport operators prelate modification to total removal of rail protection — Page 19

MANUFACTURING

Politicians set the timetable for Fibremakers doom — Page 21

OVERSEAS TRADE

Getting together with Australia — alternatives to CFR — Page 23

ENTREPRENEURS

Kaipara prospectus removed from shareholders — Page 24

Delays and mishaps plague vegetable oil venture — Page 25

BUSINESS

Players ride rougher market in round two — Page 26

COMPUTERS

Wellington considered as site for PRC database — Page 31

THE BRITISH

Sacred atata cows left to Britain's rambling right — Page 33

MANAGEMENT

Tavistock Institute and its consultancy methods — Page 34

Management course for making master managers — Page 35

ADMARK

Dobbs picks up National Party account — Page 36

OVERSEAS INVESTMENT

"National Interest" used to justify land sales — Page 37

LOCAL GOVERNMENT

Wellington board war, but court injunction prevents council from enforcing its own by-laws — Pages 38 and 39

Hospitals leave incubator developer holding the baby

by Allan Parker

THE New Zealand developer and manufacturer of an award-winning intensive-care baby incubator — recognised internationally as revolutionary — has been left holding the baby after two local hospital boards refused to buy it and instead spent \$150,000 on overseas models.

In the wake of the National Women's Hospital row, the development is likely to further embarrass the Government, particularly as the hospital boards' decisions appear to have ignored Health Department policy circulars urging restraint when buying abroad.

It also raises questions about the almost-complete autonomy that hospital boards can exercise when buying capital equipment.

In this case, Waikato and Wellington Hospital Board decisions seriously threatened efforts by Wellington-based Datamedical to win export orders for its Premicare intensive-care incubator.

The local model compared favourably in price and quality with the overseas models. It had been cited by Trade and Industry Deputy Secretary Geoff Dutton as an outstanding example of New Zealand technology.

The incubator has won the UDC Inventor of the Year Award for its developer, Paul Martin. It has also won a Plastics Institute award and has been granted a Design Council Designmark.

A hospital at Whakatane has installed three of the Premicare incubators and the medical superintendent there, Dr Douglas Short, says he and his staff have "nothing but praise for it".

But the hospital boards which rejected the New Zealand model were the "cream" orders for New Zealand — the largest purchasers for the domestic market.

In the case of the Waikato Hospital Board, several incubators were required to provision a new wing of Hamilton Hospital. The order was worth about \$100,000.

Datamedical installed a model for five months to allow staff to familiarise themselves with the incubator and evaluate its performance. Martin visited the hospital on several occasions to check the unit out and help train staff in its use.

After technical testing, the board's engineering section reported: "A lot of thought has been put into the design of this incubator. There are no problems with servicing, as the company is New Zealand-based."

The report also noted that

the price was "more than compatible with the overseas model".

And: "From an engineering point of view, the Premicare has a lot of appeal."

But when the order was put up for tender, the board selected the overseas equipment. *NBR* understands that of the four tenders received, the board purchased all three of the overseas models and rejected the Premicare.

The board offered no reasons for the rejection of the New Zealand tender to Datamedical. But chief executive Vern Fargher told *NBR* "there was nothing inherently wrong" with the Premicare.

"There were no defects as such and no criticism of it," he said.

His explanation for the decision to buy the overseas models was that there were "degrees of goodness" about the models and some of the models had improvements over the others.

"That can work for or against the New Zealand manufacturer," said Fargher.

We understand Waikato Hospital's own paediatrician found no fault with the Premicare. The decision appears to have been based on a straw poll of the nursing staff about their preference.

Martin commented that the board's decision was "being talked about in medical circles in Sydney within 3½ hours".

The Australian attitude was "Why should we buy your product when your own country won't? It didn't help us one little bit."

The Wellington Hospital Board order of several units for its new maternity St Helens replacement wing was worth about \$50,000.

In that instance, the board did not even bother to call for tenders; it simply placed an order for an overseas model.

The Hospital's paediatrician Dr Mark Hoby, was the board's decision-maker. He blames slow delivery and questioned the servicing capability of Datamedical and some defects in the unit.

He said an order for two of the units was placed for St Helens when it was still operating. But with no delivery after six months, he cancelled the order and bought two of an overseas model.

He felt it would be "a distinct advantage" to just have the one model when the time came to equip the new wing.

"I was also very concerned about the state of development of the Premicare and far from convinced that delivery would have been any better. My biggest concern was servicing; it had always been inadequate



Local model... compares favourably with overseas version.

with basically only one man, Paul Martin, available for servicing."

But the overseas order was placed a year before delivery was required to install the units in the new hospital wing.

And in a letter to Martin, Dr Hoby reported: "All in all I think that the incubator appears to be well made, extremely sophisticated, and capable of filling all the needs for intensive care of newborn infants."

Martin says that faults found with the unit were rectified in later production models. The problems of delivery were caused by the short-run production experienced by many small New Zealand companies.

"It's the old problem of making the transition from small to higher units."

Meanwhile, Whakatane Hospital's Dr Short, ironically, a former director of medical

services at Wellington Hospital, said his hospital was "very pleased" with the three units it has purchased. "Our staff are very keen on it."

The hospital bought a first model and came back for two more, with suggested modifications that were carried out "very promptly and very rewardingly".

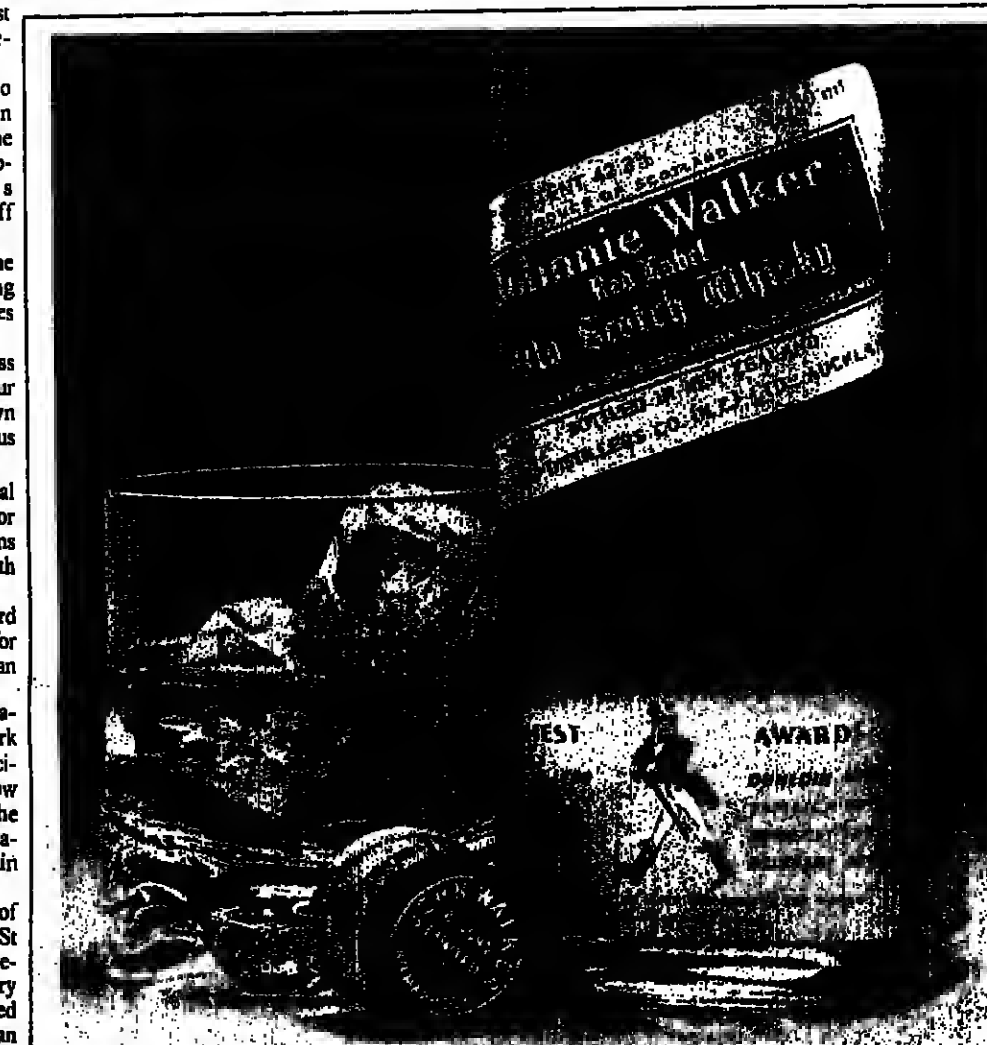
The decision to buy the first unit was based on four factors, according to Short.

"Firstly, it appeared to us to be on a par with overseas models," he said. "It was New Zealand technology, which I have always supported. It incorporated important innovative elements. And we hoped to be in on new developments by the company."

"In the medical field there is a tendency to say that New Zealand-made is not good enough. That is not so."

He said he experienced no delay with delivery of the units.

Continued on Page 5



The one Scotch.

So smooth, it's the world's Number One Scotch Whisky.

Johnnie Walker Red Label. Born 1820 - still going strong.

The business week

Alliance Textiles Ltd appointed Denis Griffin to the board.

Arnold and Wright appointed C E Jenks to the board.

Associated Pulp & Paper Mills Ltd reported an audited tax-paid profit of \$14,318,000 for the year to June 30 (\$17,388,000 last year). A final dividend of 8c is payable on October 24.

The Building Society of Christchurch will pay an interim dividend of 6 per cent on October 1.

Fond P Dealer Rentals Ltd reported an audited net profit of \$312,621 for the six months to June 30 (\$189,512 same period last year).

Feltex NZ Ltd bought 50 per cent of the shares owned by W

D Bremner in Steves Bremner Ltd.

Feltex New Zealand Ltd reported an audited tax-paid profit of \$13,083,000 for the year to June 30 (\$11,303,000 last year). A final dividend of 12½ per cent is payable.

Fletcher Holdings Ltd purchased 51.32 per cent of the capital of Watts Holdings Ltd subject to Governmental approval.

Hawkes Bay's Farmers Co-operative Association Ltd reported an audited tax-paid profit of \$1,803,039 for the year to June 30 (\$1,454,883 last year). A final dividend of 16c is payable on November 14.

Hooker Corporation Ltd reported an audited tax-paid profit of \$12,465,000 for the year to June 30 (\$6,717,000 last year). A final dividend of 3.75c is payable November 30.

Hunies Ltd appointed W M Lorie to the board.

North Broken Hill Holdings Ltd reported an audited tax-paid profit of \$112,600,000 for the year to June 30 (\$29,988,000 last year). A final dividend of 10c is payable on November 28.

Nylex Corporation Ltd appointed Henry Bosch as managing director.

Prestige-Holeproof (NZ) Ltd reported an audited tax-paid profit of \$238,532 for the year to June 30 (\$842,889 last year). A final dividend of 4.5c is payable on October 21.

South British Insurance Co Ltd reported an audited tax-paid profit of \$17,249,000 for the 1980 financial year (\$16,743,000 last year). A final dividend of 18c is payable on November 7.

Steves Consolidated Ltd made a cash offer for all shares in **Steves Investment Ltd**

Auckland and Steves Drug Holdings Ltd, Christchurch, the Steves pharmaceutical wholesaling group (conditional on 90 per cent acceptance).

A complaint by the liquidator, of **Securitibank** that Government involvement in the lease or purchase of the group's Swanson Towers office complex was detrimental to the group was rejected by Chief Ombudsman George Laking.

Proceeds from the sale of the **Chateau Commodore** hotels will be distributed to the **Merbank Corporation** (in liquidation) and \$1.8 million from the sale of Christchurch hotel will be retained by the statutory trustee, Kenneth James Jensen.

Economic indicators

THERE was a decrease of 2.1 per cent in the delivery of petrol fuels between the June quarter 1979 and June quarter 1980.

Deliveries of most types of fuels were less but deliveries of diesel increased by 13.7 per cent.

A CURRENT accounts deficit on overseas exchange transactions was recorded as \$502 million for the year to July, compared with \$444 million a year ago.

US questions incentives

AN investigation into New Zealand's export tax incentives will be conducted in America as a result of recent trade hearings concerning Delta Plastics.

THE Marginal Lands Board loan inquiry was postponed for a week at the request of Audrey and Jim Fitzgerald to give them time for a High Court decision on whether the inquiry should be delayed until police investigations are completed.

A CONFIDENTIAL circular distributed to drivers by five transport firms and outlining ways to evade road-rail transport laws was tabled in Parliament by Opposition MP's. Legal investigations will follow.

The week ahead

MONDAY: The Prime Minister of Tuvalu visits the Murgere Marac and RNZAF base in Whenuapai.

National conference on credit and finance management begins in Wellington (speakers include Trade and Industry Minister Lance Adams-Schneider, Labour MP Ann Hereus, Professor Brian Philpott).

OPEC conference in Vienna. Commerce Commission trade hearing on the refusal of Dominion Breweries and Lion Breweries to supply the Duke of Marlborough Hotel.

TUESDAY: Prime Minister of Tuvalu, ends New Zealand trip with a visit to Auckland University's School of Engineering.

Commerce and Education select committee looks at estimates.

Electoral Law select committee looks at the Electoral Law Amendment Bill.

Lands and Agriculture select committee looks at the Local Bills select committee looks at the Urban Trusts Amendment Bill.

WEDNESDAY: Defence select committee looks at the Armed Forces Discipline Bill. Health and Welfare select committee looks at the Lands and Education select committee looks at the Trading Hours Amendment Bill.

Lands and Agriculture select committee looks at the Amendment Bill and the Amendment Bill. Statutes committee looks at the Passports Bill, Legal Aid Bill and the Inland Revenue Department Bill.

THURSDAY: Asian Development Bank president Yoshioka arrives on a short official visit.

Trade and Industry Minister Adams-Schneider speaks to National Women's branch of the R.S. which elects in Lee

Exchange rates

London	5s
United States	1.12
Canada	1.12
Australia	1.12
Fiji	1.12
Algeria	1.12
Belgium	1.12
China	1.12
Denmark	1.12
France	1.12
Greece	1.12
Hong Kong	1.12
India	1.12
Italy	1.12
Japan	1.12
Malaysia	1.12
Netherlands	1.12
New Caledonia	1.12
& Tahiti	1.12
Norway	1.12
Pakistan	1.12
Papua-New Guinea	1.12
Portugal	1.12
Singapore	1.12
South Africa	1.12
Spain	1.12
Sri Lanka	1.12
Sweden	1.12
Switzerland	1.12
Thailand	1.12
West Germany	1.12
Western Samoa	1.12

WAREHOUSE



Prime location on major arterial route which is handy to M.V. yet in close proximity to city. The extremely long frontage offers excellent exposure. Buildings: a modern high and wide warehouse (approx 600m²) capable of handling containers, providing good access and natural light, includes gantry crane. A second older building of approx. 270m², interconnecting, provides storage with office and amenities. Land: 2192m² is held under W.C.C. leasehold. The term is 21 years renewable in perpetuity. Annual rental \$6750. Adjacent to the buildings is an area of vacant land suitable for storage, parking or container handling. Vacant Possession: For auction in our Head Office room 31-41, Penrose Street on Wednesday 24 September at 12 noon. Telephone 728-208 Commercial Division.

Est. 1988 M.R.E.I.N.Z.
harcourts

Import crackdown: Customs considers computers

THE Customs Department is joining Trade and Industry in a review of import licensing procedures in the wake of the three trials of former Trade and Industry officer Brian Pound.

Pound was the common defendant in three cases of conspiring to defraud the public. Importers Albert Schindel, Allen Wong and Bill Hing were charged separately. The jury failed to reach a verdict in each case.

Evidence given by the Crown showed a serious breakdown in the import licensing system within Trade and Industry, allowing importers to avoid the built-in checks to prevent abuse.

The cases involving Wong and Hing focussed on several key issues:

- The issuing of non-basic special import licences contrary to Government policy;
- The large number of transfers from one item code to another which Pound authorised;
- Pound's approval of licences in favour of Allen Wong's firm, Cathay Trading Co Ltd after his authority to do so had been removed.

Pound's authority to authorise licences was officially revoked in April 1977 when he was appointed Assistant Director Special Duties. But doubts were raised in the trials as to whether Pound was aware of the change.

Several times during the first half of 1978, Pound was seen in the Customs Offices in Wellington talking to an officer in the import licensing section responsible for issuing licences. On at least one occasion Pound left papers with the officer,

though it was not determined what those papers were.

Pound also sent bundles of licences and handwritten memos authorising the transfer of licences from one item code to another to particular Customs officers.

Wellington collector of Customs Noel Taylor said the writing of handwritten memos for such large numbers of transfers was "not a procedure I personally would have followed".

Customs officers, many of them former colleagues of Pound from his time in the department before he was

transferred with 29 officers concerned with import licensing to Trade and Industry in 1973, were never made aware of his changed authority.

Asked what position Pound held from April 1977 to August 1978 when he retired, Customs officers gave answers varying from executive officer through to Assistant Director Industries 8, all positions which had delegated licensing authority.

Importers who land goods without licence technically are breaking the law, but unless it is a frequent practice, a goods-arrived licence is usually issued. The licence is recorded both on

the importer's file at Trade and Industry and in Customs.

Normally an importer who frequently lands goods without licence is warned by letter, which is recorded on his Customs file. Persistent offenders are prosecuted.

Cathay Trading has received several warning letters. Bill Hing and his firm, Won Kay Hing Ltd, received considerably fewer, though Pound issued him with many goods-arrived and pro forma licences.

Police investigations which resulted in the three trials earlier this year began in August 1978, and concentrated on

Trade and Industry. Customs officers were called to give evidence for the Crown, but NBR understands that time limited the scope of police investigations to Trade and Industry and a small number of importers. Eventually the case concentrated on Pound and the three importers charged.

Assistant Customs Comptroller Pat McKone told NBR that an internal review and audit began soon after Pound was charged in 1978.

That audit failed to show any malpractice within the Customs handling of import licensing, he said.

No officers had been disciplined dismissed, promoted or moved sideways as a result of the investigation, he said.

The police were called into Trade and Industry when budgetary control copies of licences issued to Cathay Trading by Pound were found to be missing.

McKone said he was confident that Customs officers were not involved because the Cathay file held by the department was complete.

"If a Customs officer was involved he would have surely disposed of the licence copies."

Each licence copy is initiated by the issuing officer and therefore easily traceable.

"We have put in controls we hope would curtail any undesirable activity," he said.

Asked why Bill Hing had escaped attention for importing without a valid licence, McKone said Hing at that time was a fairly large importer. And the goods-arrived licences he used were issued by Trade and Industry, not by Customs acting within its own powers, he said.

Customs officers have been reminded of the code of ethics each sign when appointed and the actions which follow its breach.

McKone said the department did not hesitate to take action even to the extent of prosecuting wayward officers if necessary.

Customs' review of import licensing procedures is continuing and has recently involved Trade and Industry to discuss the use of computers. Early next year Customs expects to be keeping track of licences at least in the main ports, by computer.

Mayoral drop-out halts industrial development

CONTROVERSIAL Mayor of Waiwera City Ian McHardy has bowed out of next month's mayoral race, leaving opponent, Tony Covic unopposed as mayor-elect.

His decision will bring a halt to a major industrial development in the city. The companies most affected are Neil Holdings, which was to sell 47 hectares of land for \$1.6 million, and the Mairangi Corporation, which was to undertake the development project.

McHardy, whose alleged conflicts of interest as mayor and property developer have been strongly criticised, is understood to have decided not to stand because of "press persecution".

When Covic takes over as mayor, many of McHardy's development schemes will be killed.

McHardy planned a new \$3.4 million city administration

building. Covic said he opposed a new town hall within a stone's throw of Henderson's city centre. He favoured continuing to use the John Henry Centre in Henderson (built by a company in which McHardy had an interest) until the possibilities of amalgamation with Henderson had been decided.

Despite strong ratepayer opposition, McHardy was trying to get the city to finance an industrial park at Sturgis Road.

Acting for a family trust, McHardy bought land near the Sturgis Road site for just over half the price his city would pay to Neil Holdings for its land (NBR July 28).

Neil Holdings has been suffering like other development companies.

McHardy's scheme to buy and develop the Neil Holdings land was considered a poor financial proposition by the

local valuation department, land development companies, and opposition councillors on the grounds that Waiwera already had a lot of industrial land going begging for buyers.

But sky-high electricity prices, a reputation for environmental hassles, and a poor industrial infrastructure made Waiwera unattractive to business, specially when better-served and cheaper land was available elsewhere.

Covic said he would encourage private investment in Waiwera's industrial development but would not use ratepayers' money to finance the Sturgis Road scheme. That means that Neil Holdings and the Mairangi Corporation (the proposal developers) will miss out on the ratepayer-funded deal.

Covic said he would undertake a thorough financial analysis of other McHardy

schemes, such as city investment in the local bus company and a vehicle-testing station.

Political opponents, suspecting possible conflicting interests between McHardy's role as mayor and his past role as property developer, have spent years trying to uncover the extent of his property holdings. His former wife, Patricia, also tried to uncover McHardy's assets, to gain a settlement under the Matrimonial Property Act.

The Matrimonial Property hearing was held recently in Auckland High Court.

Patricia McHardy died the same day McHardy dropped out of the mayoral race. She had known she had only a short time to live, but wanted settlement so the two children of the marriage could be looked after.

It is understood she was granted half the Dawn Place subdivision in Henderson.

PLANNING

— a vital element
in any business operation

You can't afford to miss the New Zealand Business Planning Society's 8th Annual Conference.

The theme of the conference is "Opportunities of the Eighties", and the programme includes sessions on "State of the art in Corporate Planning", "Competitive Strategies for World Markets", "Politics of Planning" and "The Role of Corporate Planning in the New Zealand Economy", as well as informal panel and group discussions.

As in past years the Society is bringing a leading international guest speaker to New Zealand to act as

Conference Director. This year he will be assisted by three local speakers representing Government, Unions, and Private Enterprise.

SPEAKERS:
Professor Bernard Taylor — Professor of Business Policy, Administrative Staff College, Henley-on-Thames.

Mr Geoffrey Dalton — Deputy Secretary, Department of Trade and Industry.

Mr Rod Trott — Industrial Officer, Trade Union Research and Consultancy Limited.

Mr Brian Pico — Chairman, Progressive Enterprises Limited.

WHEN: 19th to 21st October, 1980

WHERE: Wairakei Resort Hotel.

COST: Society Members \$135.00; Non-Members \$165.00.

FURTHER INFORMATION:

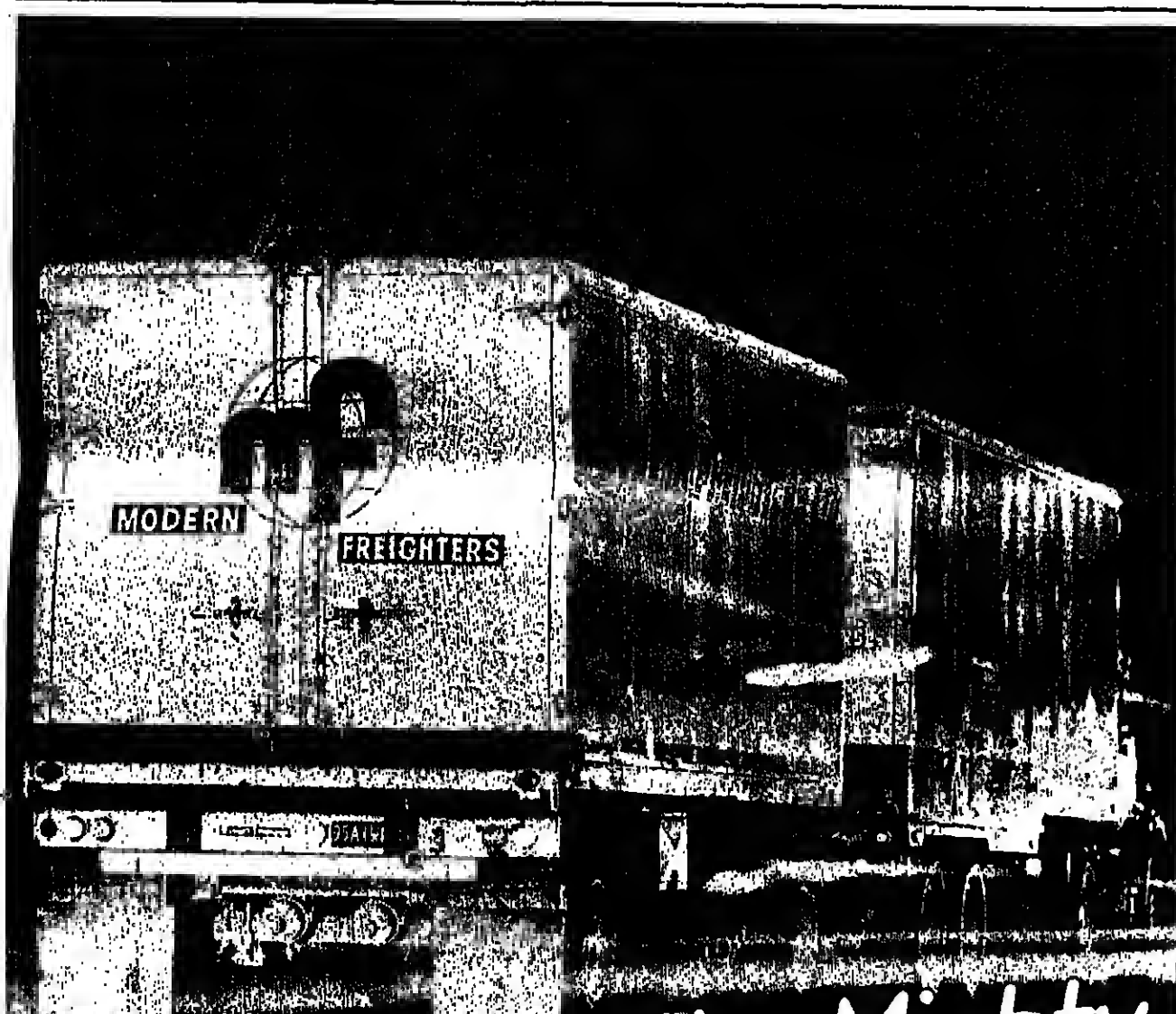
For a Conference '80 brochure, phone Auckland 32-743, Wellington 721-046 or 859-539, or send the coupon below to P.O. Box 2347, Auckland.

TO: THE NEW ZEALAND BUSINESS PLANNING SOCIETY (INC.)
P.O. Box 2347, Auckland.

Please send me a brochure detailing the 1980 Conference.

NAME

ADDRESS



Meet one of the Mighty Freezer Fleet

The Picton Ferry Terminal can be a damned lonely place to spend the night. That's if you miss the 10.40 sailing. But with a valuable cargo of top condition perishables aboard, you can't afford to make mistakes like that. This bloke knows. He's been driving one of the 44 refrigerated trucks in the Modern Freighters fleet for a good many of their 20 successful years. Although he knows the roads like the back of his hand, he says that's safe. Yet whatever you want, wherever you want it, from North Cape to Bluff, just state a deadline. And it's a sure bet that he'll deliver the goods on time. Everytime.

At the end of the run, he'll be needing a break. But the goods in the refrigerated compartment will arrive in top condition. And that's because the guy up front looked after the goods in the back.

If your produce demands the care which you feel only you can give, call Modern Freighters for a no obligation quote on the alternative... and set the wheels in motion.

MODERN FREIGHTERS LTD.
Phone: 88-017 Levin, 44-733 Christchurch, 84-471 Papakatoe.

We deliver the goods

MF 105C

Comment

Editorial

THE result must be seen as a criticism of Government actions and policies, National Party president George Chapman conceded last week after the victory of Social Credit's Garry Knapp in the East Coast Bays by-election. Prime Minister Rob Muldoon declared in New Delhi that "if ever there was a by-election where everything went wrong, this would be it." But he was not surprised by the Social Credit victory and he believed no nation-wide political inferences could be drawn from it.

Muldoon seems complacently satisfied that his Government's policies and his own leadership style had nothing to do with the outcome. Rather, he wondered about the choice of candidate, the party's organisation, and voters who would chase the Sacred man instead of a noted economist.

Behaving less like a Prime Minister than a fading prima donna who can no longer fill the theatre with her voice or the seats with her enthusiasts, the peevish Muldoon thus blamed not his own performance, but rather his party's promotion of him in the election. He complained he had had the smallest public meeting he had held since 1974 while campaigning for Brash — "simply a case of bad organisation". Prima donna, indeed. According to local party chairman Bob Brown, the decisions to have a ticket-only meeting for Muldoon, the venue and the lack of advertising were all made at the Prime Minister's behest.

Several of the party faithful, naturally, were upset at his remarks about party organisation and about Dr Brash. Associate Finance Minister Derek Quigley said the loss was a "massive defeat for the National Government and not the fault of the candidate or the party organisation". If the result was translated to the 1981 General Election, the Government's chance of winning in the present climate of opinion would be "very remote indeed", he said. Dai Jones said his feelings would be communicated in

caucus when the PM returns from his trip — but he had a different view from that of the Prime Minister on the efficiency of the electorate committee. Auckland divisional chairman P N Baker regarded Muldoon's comments about party organisation as "grossly unfair". Local chairman Bob Brown blamed the Tom Scott incident, the increase in barbaric bridge tolls and the "dirty tricks letter" incident for the defeat. By then in Hong Kong, Muldoon was less concerned to comment on the criticism of him by his party colleagues than in wanting to know what journalists had said about him. He claimed he had given a balanced account of the by-election as he saw it, and "someone, either here or in New Zealand, has made it appear I was blaming the party organisation for the whole defeat," he claimed.

And so everything and everyone was at fault except Muldoon. But if he hadn't packed his mate Frank Gill off to Washington as Ambassador (a particularly curious decision in light of his admission that the result did not surprise him), there would have been no by-election and no defeat.

The hard fact for Muldoon to face now is that a vote for Brash was a vote for him. It was a vote for a Government which has flouted with public opinion to play with fiscal regulators, push through fast-track planning legislation and kick Tom Scott off the guest list to Red China while implementing policies which have failed to deal with inflation and which have resulted in chronic, record-high unemployment levels.

The Prime Minister might reflect that within seven days of the election:

- He announced a 25 per cent increase in Auckland Harbour Bridge tolls in a move which stunned both North Shore civic leaders and by-election candidates (Brash initially could not believe the tolls were going up);
- Energy Minister Bill Birch carried a reluctant nation that much further to the

point of no return with the second smelter project by signing the memorandum of intent between Government and consortium;

- The electricity division of the Ministry of Energy warned the Government that the country faces a possible power shortage for six years because of the sale of a large block of power to that smelter. So — says the division — the building of new hydro dams may have to be speeded up so fast that the "fast track" provisions of the National Development Act will be too slow to cope;
- Muldoon was reminded by Commonwealth Secretary-General Sonny Ramphal that many Commonwealth governments believe an important principle involving freedom of the press would be endangered if accreditation to heads of government conferences was denied to bona fide journalists;
- Unemployment reached 60,000 (from less than 10,000 just before the election that brought the Muldoon Government to power in 1975).

More realistically, Chapman was satisfied that "the most that could be done was done" from an organisational viewpoint. He expressed considerable satisfaction with Brash as a candidate. In his view, the National loss stemmed from the public's misunderstanding of National's policies. National's task was to gain electors' support for the growth strategy which the Government had embarked on, he implored.

Labour, equally, has cause for concern that the by-election protest vote went to Social Credit. Belatedly, it has woken up to the fact that people also want to know the firm policies of a party which vices to take over the Treasury benches. "It places a very heavy responsibility on us to announce and widely publicise our policies," said party president Jim Anderson.

Chapman already has made a rare appearance at the Government caucus meeting last Thursday in his endeavours to improve communication between party organisation

and the political wing. But besides informing the public of what it is doing, National must maintain public confidence in its democratic institutions. Works Minister Bill Young has declared that — because of the policy issues involved — the Government will not be bound by the decision of the Planning Tribunal looking into water rights from the Clyde dam. That automatic response was given to two land-owner appellants who had assurances that the Government will abide by the Tribunal's ruling. Young failed to spell out the wider policies relevant to making meaningless the three-week Tribunal ruling. And so he fastened the very ignorance which Chapman so rightly wants eliminated.

The energy projects now shrouded in a haze of secrecy are fundamental to the Government's growth strategy. But Donal Brosh — asked by the *Sunday Times* last month if he was satisfied with what the Government was doing to sell the country's energy resources — said that was "a very difficult question for any outsider". The people who could really judge if we are selling our power at the right price, for example, were the people in the Energy Department. "I am not in full knowledge of the facts from the inside, but as far as I see we seem to be making the right decisions," he said — indicating that he, like public, must place more store in his own understanding. Brash is a respected and learned economist. He has several advantages over mere members of the public: he is a member of the Planning Committee of its Economic Monitoring Group, and the candidate for the governing party should have been familiar with the rationale behind the Government's economic policies. Give his self-confessed ignorance, the voters do no worse off in favouring the faith of Social Credit candidate over that of a national economist.

— Bob Ellis

Without word of a lie

Customs hooks on to fish problem

QUESTION: When is a pilchard a herring? Supplementary question: And, if so, when is it a sardine?

Vexing problems, indeed. But now our intrepid Customs Department has taken the bait in an effort to land some answers for confused anglers and gourmets.

We reprint, without comment, the following fishy tale from the department's September Bulletin:

"For some time there has been a problem over the definition of canned sardines which are exempt from import control and canned herrings and pilchards which are subject to control.

The main difficulty is that several species of sardine are technically a combination of both sardine and herring and in the Northern Hemisphere, particularly North America, no differentiation is made so that herrings are canned as sardines and vice versa.

"From an import licensing point of view this causes problems. It has therefore been decided that for the balance of the 1980/81 licensing period, licenses will be granted on demand to traditional importers of these goods against firm orders placed on them by merchants and stockists."

Aussies aware we are going under

NO wonder Australian officials are disinterested in haggling over rigging details of the Nafta agreement. New Zealand is going under... and there is nothing they or we can do about it.

Auckland and parts of the North Island might

survive but most of Wellington and all of the South Island are doomed to plunge into hell — the earth's red hot mantle — adding a new meaning to "Godzone".

Oil-hunting geologists think the world is made up of 10 major tectonic plates, each roughly 100 kilometres thick. Where the plates meet, the most volcanic activity occurs — and the potential for minerals, including oil, is greatest.

The North Island straddles a subduction zone, the meeting of the vast Pacific plate and the smaller Indian plate containing Australia. The same force that created the Southern Alps and gave rise to the North Island volcanoes is driving all of the South Island and the North Island to the east of the major fault line beneath the Tasman Sea. The intense pressure is probably the reason why Mouti is gas and not oil. Oil is formed until low pressures.

It is not by chance that Australia sees its economic future closely tied in with South-east Asia and not the South Pacific. Australia is slowly and irresistibly moving toward Indonesia at speed of one kilometre every 50,000 years.

If geologists are correct, Air New Zealand, already with a reputation for making minor navigational errors, had better be careful, (assuming Auckland still exists in 50 million years). Los Angeles will have moved well north of San Francisco.

Householder given a wrong line

OUR thanks to the anonymous correspondent who has drawn our attention to the regulations governing the operations of electricity authorities.

He/her is obviously anxious that we remind power boards of their legal obligations — an anxiety spurred by the item in "Without Word of

Brockie's view



a lie" recently about the Wellington MED's irritating habit of flexing its ripple-control muscle without advising the public.

According to an MED staffer's reply to a householder annoyed by erratic hot water supplies, it wasn't part of official procedure to advise the public of its ripple-control intentions.

But the Electrical Supply Regulations 1976 say that when an electrical supply authority discontinues or plans to discontinue supplies, "public or individual notice shall be given, when practicable, of any such discontinuance, and of the probable duration thereof".

No Cathay connection

IN the September 5 issue of *National Business Review*, we reported on court proceedings involving Allen Wong, proprietor of Cathay Trading Ltd, adjacent to an advertisement for Cathay Pacific, the Hong Kong-based airline.

There is no connection between the two companies and *NBR* regrets any confusion that may have arisen by the juxtaposition.

Comment

Tourism — let's promote the attractions we have

by Lynette Rankin

FUTURE development of tourism will affect us all. Yet most New Zealanders think it an unimportant topic best left to hotels, coach tours and people living in Rotorua and Queenstown.

We tend to unquestioningly assume that millions of tourists come here each year because everyone knows our country is the most beautiful in the world.

The facts differ. The majority of the world's people have no "image" of our country or even know that we exist. Last year we had about half a million temporary overseas visitors, one of the lowest for any country with a developed tourist network. The number of overseas tourists to our shores has dropped in recent years, particularly from Australia. There are increases from North America and Japan.

No major political party has a policy on tourism relating to its effects and benefits. Mention is usually made of it only as a major export earner. Yet development of tourism is at the crossroads. Its direction could go in one of two ways. Either will be to our disadvantage if we do not become more conscious of our tourist industry.

The first alternative — the one seemingly favoured by the chief executives of Air New Zealand and the National Travel Association —

means that to win the tourist dollar we must be prepared to develop a service mentality for idle rich who have never learnt to help themselves. Because their money is important we apparently must gear our way of life in shopping hours, night life and casinos to meet the whims of these big spenders.

I find this argument weak; I cannot really believe that people will travel to a faraway country to have more of what they already have at home.

What the proponents of this argument fail to tell us is that most of the money spent by this type of tourist will stay with the hotels and coachlines. It will be their shareholders rather than the general public who benefit.

Perhaps I am exaggerating their case. But I cannot help feeling that we, the people of New Zealand, are being blamed for refusing to change our ways. I hope never to see New Zealanders, who have pragmatic tradition, turn into tourist toadies.

The second alternative, promulgated by the Values Party and some trade unions and environmental groups, is no better. This group sees all tourist developments as being in the casino/coach tour variety and therefore a threat to our way of life to the extent that they become anti-tourist.

That attitude, for a small isolated country, is an

unhealthy one. We should not discourage the many tourists who are travellers — eager to learn, eager to share and eager to be independent. They do more want second-class citizens lawning over them than most New Zealanders do when travelling abroad. These are the visitors who enrich our lives, keep us in touch with what's happening in the big, wide world and even help our exports by seeing for themselves what a unique and diverse country this is.

The tourists favoured by the National Travel Association are those who complain about not getting immediate portage facilities or not having shops open on Sunday for their convenience. Travellers recognise each country's uniqueness and one of the things they like about New Zealand is our casualness and lack of determination to be super-efficient.

The following comments from the visitors' book of a youth hostel certainly show no disenchantment:

"I consider myself a lucky Canadian to have my eyes opened to what peace there is in the islands of New Zealand."

"It's really enjoyable travelling from town to town seeing the hills, lakes and rivers."

"New Zealand sparkles. As I walk by the sea it seems to sing to me."

By all means we should have a tourist plan and employ modern marketing techniques. But why not change our tack and promote what is already available instead of expecting the whole of the country to change to suit "customer wants". For example we have motor camps half or fully empty most of the year. We have an abundance of walking tracks and national parks not fully used outside the school holiday period. In many areas there are fit people with an intimate knowledge of local bush and mountain areas who have to move to cities to get jobs.

In North America and Europe, "getting back to nature" and healthy living are values that people have recently taken on positively and not simply fads. Recreation in the form of trekking and camping is increasingly recognised for the mental and physical health and pleasure it offers.

Therefore why can't our tourist promotion agencies get together a bit more guided trekking outside the school holidays and long weekends for tourists from the Northern Hemisphere. Are pre-

sent only a few hundred tourists come to New Zealand each year for trekking yet Nepal bases its whole tourist industry around it.

After all, our abundant natural scenery includes mountains, lakes, primeval forests, scintillating sea scapes, ever-changing skies, fresh air and a natural light that is a photographer's dream. What's more all this is available in the Northern Hemisphere winter.

For the trekker preferring to tramp unguided some co-ordination by the Forest Service, Walkways Commission, national parks and local authorities in presenting information on these walks should not be too difficult to organise.

Some Polynesian art and architecture, hot pools, seafoods and good quality souvenir shopping and you have a country which travellers want to see for itself and not because it has all the facilities of other countries. It should not be forgotten by the "casino pushers" that many campers, trekkers and youth hostellers have far from empty wallets when it comes to sheepskin rugs, greenstone and punga vases.

It seems our real tourist problem is that we have not chosen our customer. As advertising doyen David Ogilvy said when here on a recent visit:

"When are you going to do something about your tourist industry? You have a beautiful country here but nobody knows about it. Is there a shortage of tourist plants? Or are you afraid of attracting the wrong kind of tourist?"

"You know, you can control the type of tourist you get. If you advertise casinos and gambling you will only get one kind. It depends on how you pick your promotion."

Bermuda depends almost wholly on the tourist industry for its livelihood but it has awfully nice tourists because of what it selects to sell tourists in its advertisements.

"New Zealand can attract pleasant tourists who are not an affliction to the country." (*NBR*, Feb 22, 1978).

Tourism affects all of us. Our lives as well as our pockets can be made richer by providing we have some better overall planning at Government level and make better use of the resources we already have.

Lynette Rankin is a member of the publicity committees of the Youth Hostels Association.

Without word of a lie

Glider buffs take evasive action

THAT powerful lobby, the New Zealand Airline Pilots' Association, has long shown signs of wanting to clear the skies of general aviation aircraft. But glider pilots are awake to their tactics.

At the New Zealand Gliding Association's annual meeting in Wellington, the chairman of the association's airspace committee, T D Mollard, said considerable pressure was being placed on general aviation to reduce its airspace rights and freedoms.

It was essential that all glider pilots continued to maintain a diligent lookout for other air traffic, he said, — "and specially for Air New Zealand F27 Friendship aircraft."

Friendship captains, he explained, had shown "a recent propensity for filing 'airmiss' reports, possibly to support their pilot association's efforts to eliminate visual/exempt airspace from the Air New Zealand domestic route structure."

Messengers try not to PO their fellows

WALK into the Beehive with one letter for a Minister or MP and the messengers will deliver it gladly. But walk in with 48 copies of a press statement to be delivered to MPs, and it's a different story.

Why? Because, as it was explained to someone in this predicament some weeks back, the messengers don't want to take work off their fellow civil servants at the Post Office.

So the stack of press releases left the Beehive and went down the road to the Post Office to have stamps fixed on them, to be delivered with usual Post Office lack of urgency.

Making haste on the energy front

FIRST the lifting of carless days, and then the lifting of weekend petrol restrictions, are explained by the fact we have ample supplies of oil on hand. And maybe we don't have to be so conservation-minded — at least till further notice.

That's the impression we are given after hearing of a civil servant who left early from a seminar at Massey University a few weeks ago. As he drove back to Wellington, he was overtaken by a Ministerial LTD with Energy Minister Bill Birch seated in the back.

The LTD — so we are told — shot past at a speed that raised the civil servant's curiosity. But at 110km an hour (he claims) — with the LTD still drawing away from him — he gave up the chase.

Lawyers go out to bat for smelter

THE Otago business community is actively pushing for the second smelter development to proceed, no doubt anticipating the jobs and wealth that will be brought to the depressed area.

Indeed the *Otago Daily Times* already has been reaping its slice of the rewards. It has been publishing a series of advertisements in favour of the smelter.

A letter which seems to have been sent to members of the Law Society in Otago (without approval of its council, we hear) has happened our way and gives a nice insight into Scottish canniness.

Written on Allied Press Limited (publishers of the *Otago Daily Times*) letterhead, the letter says: "As you will be well aware there is considerable controversy over the proposed Aluminium Smelter to be based near our city."

"Several members of the Law Society have indicated their wish to participate in a combined advertisement(s) in the *Otago Daily Times* supporting this vital development."

"We have been asked to co-ordinate this advertising and seek your support on behalf of the society."

"If you agree and wish to participate could you please sign below and send immediately to: Mr D J More, P O Box 108, Dunedin."

"Mr More will then liaise with our company. "Cost will be approximately \$20-\$30 per signature."

The letter is signed by N G Smith on behalf of Allied Press.

A tear-off portion at the base of the letter includes several spaces for signatures and asks for More to forward to Allied Press, the signature(s) in support of the advertisement.

The lawyers who sign obviously don't appreciate that fast-track laws that accompany such projects these days are more likely to reduce their workload rather than generate more.

FINANCIAL CONTROLLER

WILSON NEILL LTD

Negotiable around \$30,000 plus benefits

The Wilson Neill Group is emerging as one of New Zealand's most exciting images in the New Zealand commercial world. Their rapidly expanding Export Division last year contributed \$20,000,000 to the company's total sales of over \$40,000,000.

The company's Export Division investments include clear farms, venison processing facilities, fish processing plants, fishing boats, horticultural farms (including the largest asparagus development in New Zealand). The Wine & Spirits Division owns hotels and restaurants, drive-in liquor supermarkets and wine shops. The Appliance and Electronics Division controls a chain of appliance stores, a wholesale electronic and audio distribution unit and a manufacturing assembly line for electronic organs.

The Financial Controller reports to the Managing Director and carries responsibility for all financial and accounting matters for the group. This will include monitoring the return on funds invested, allocation of resources and normal management functions such as budgeting, monthly reporting and capital expenditure evaluation. There is strong staff and data processing support.

Applicants must be qualified accountants and be able to demonstrate broad experience at a senior level in commerce or industry.

This exciting opportunity is one of the leading positions in Dunedin which offers excellent education facilities and easy access to year round recreational centres. Good housing opportunities exist in Dunedin and the company will assist with transfer expenses.

Confidential applications can be made to WARWICK HARVEY (phone Auckland 771-704 or 463-950 after hours) or to the Managing Director, Wilson Neill Ltd, PO Box 342, Dunedin.

apc accounting

ASSOCIATED PERSONNEL CONSULTANTS LIMITED

APC HOUSE, 28 HIGH STREET, PO BOX 3438 AUCKLAND, PH 771-704

NATIONAL BUSINESS REVIEW

Published by Fourth Estate Newspapers Ltd.
Managing Director: Reg Birchfield
Marketing Director: Ian F. Grant
General Manager/Accountant: Stephen Underwood
Editorial:
Editor: Bob Edlin
Production: Ralph Green, Ann Taylor

News & Features:
Colin James, Raza Mazengarb,
Stephen Bell, Jack Hodder
Contributing:
Finance: Peter V O'Brien
Auckland Bureau:
Warren Berryman
Gordon McLaughlin
Advertising Sales:
Manager: Paul A C S Loh
Promotions:
Manager: Keith Scott

Circulation:
Manager: Jan Chee
Auckland Office:
2nd Floor, Liviens Building
Cnr Alameda & St Paul Streets, Auckland
Tel: 799-304
Wellington Head Office:
Fourth Estate Newspapers Ltd
16 Blair Street, Wellington NZ
PO Box 6344
Tel: 736-678
Cables: Natbus

National Business Review incorporates *Advertiser* and is a registered publication weekly (except for last week December and first two weeks January).

Typeset and composed by Computype Services Ltd, Wellington. Printed by R. Lucas & Son Ltd, 118 Kapiti Road, Paraparaumu.

Single copies: 80 cents
Subscription rates: NZ\$30
Member ABC (Audit Bureau of Circulations)

Letters

Aluminium smelter

I OBJECT to your portrayal and appraisal (NBR, September 8) of my views on the viability of new aluminium smelting capacity in New Zealand. You confuse sources, present a partial and disjointed outline of my view, without attempting to include the key summary and conclusions from my reports. I ask that you indicate clearly to your readers that I do not accept your presentation of my views.

Anyone wishing to be better informed on the debate can get copies of relevant publications directly from NZIER. The points I wish to make are:

Your article confuses the content of my two papers without regard to the difference between a third potline at Tiwai Point and two new potlines elsewhere which, unsurprisingly, causes errors.

You refer to Professor van Moeseke's \$NZ1111 per tonne and my "about \$NZ1600 per

tonne", endorsing his and asking how I got the higher figure. Pages 17-21 of the Tiwai Point expansion report show why \$NZ1600 was adopted.

\$1600 is not "the spot market price" as your writer says. It is closely related to the North American producers list price, in contrast to your writer's statement that it is not.

Your writer says that by June 1980 prices were back to the September 1979 level when Alcan list price for 99.5 per cent purity ingot of Rotterdam or Hong Kong is now \$US1750 per tonne compared with \$US1632 per tonne in December 1979.

Great weight is given by Professor van Moeseke and your writer to the Government Statistician's figure on aluminium prices without any discussion of their basis and the implications of this basis for the exercise. To the best of my knowledge, the only published figures are in the export trade statistics. These give fob export values. The fob export value is not defined for the purposes of

export entries by either statute or regulation. Yet, this fob figure has been adopted as the selling price of metal ex-New Zealand and the smelter is run on a tolling basis. It does surprise me that Professor van Moeseke went to so much trouble to get international costs for smelters but did not, apparently, collect the readily available information on prices.

The van Moeseke figure is for ingot. The \$1500 used in my comment on van Moeseke is also for ingot and comes from Murray Ellis's report. He is opposed to a second smelter but considers the \$1500 per tonne a reasonable metal price. My about \$1600 per tonne is not for ingot but for a mixture of smelter products which have a higher average price than ingot.

Your writer, in all this discussion on prices, ignores the fact that we also use an average product price of \$1457 per tonne in the sensitivity testing.

The question of prices is complex and uncertain but your writer's efforts to forward

the debate are counter-productive.

Your writer implies that, because the total electricity usage in the third potline at Tiwai Point would be about 17000kwh/tonne, I am incorrect when I accuse Professor van Moeseke of overestimating the electricity consumption of a new smelter when he uses approximately the same figure. In this context your writer should recognise that the distinction between the electrical efficiency of an increment to an existing smelter could well be different from that in a new smelter with the opportunity to introduce the latest technology. This distinction is important. Present indications are of only 14,800 kwh/tonne at the new smelter.

It is a reflection of your writer's unfamiliarity with economics that he should find our "weighting" of costs and benefits "curious". He says that I... "arrive (s) at costs and benefits for the project only by applying a curious procedure". He refers then to

the weighting up and down of benefits and costs and says that because these weights appear "arbitrary" I... "can simply weight the project until it comes out in the black". The report on the Tiwai expansion, particularly pages 29-33, deals with the shadow pricing of labour and foreign exchange.

You call for more informed public debate but it seems that you have already established the position against increased aluminium smelting capacity. My comments refer largely to your "appraisal" of my analysis but I suggest that your presentation of my views on the adjacent page was also partial and disjointed.

Kerry McDonnell
Director
New Zealand Institute of
Economic Research

In the interests of publication this week, this letter has been abridged.

Our article which appraised both your comment on Professor van Moeseke's analysis of a second smelter

and your paper on the national economic benefits of expanding Tiwai Point do note a distinction between electrical efficiency of an increment to an existing smelter and that in a new smelter.

The other article, by an economics writer, dealt only with your comment on van Moeseke's analysis, an article covering the content of your second paper is best we can consider space limitations) appear on Page 11 this week. Editor.

Not spending on salaries

YOUR article "Government reduces deficit - but risks" (NBR, June 23) states that "the Government is attempting to prime the pump by spending borrowed money on the salaries and wages of public servants".

But if the current spending involves capital activities (as claimed) then the borrowed money is not going on salaries and wages.

For example the Post Office spent \$88.3 million in 1978-79 on new capital assets of which only \$6 million was from the Loans Account. The major source of these was the operating profit of \$19.6 million (according to Post Office annual report for the year ended March 1979). Hence the "non-spending" financed by overseas loans is largely the purchase of new capital assets of trading profits rather than the payment of operating expenses.

John Wilkie
Wellington

Biennial or bi-annual?

I SEE that the Wellington branch of the Harbour Board Workers Union is upset at the amount of money the national executive manages to spend (NBR August 25). A good way to save would be to hold the national conferences a little less regularly than twice a year.

Or is it possible that NBR has made that very common mistake and printed bi-annual instead of biennial? That would be a pity.

D W Kidd
Wellington

Identifying qualifications

I TOO am interested to hear more about your anonymous "Economics Correspondent". Is it possible for you to divulge details of some of his or her qualifications without identifying the person concerned? Many issues of your paper have carried letters which reflect on these qualifications (or lack of them).

G D Marshall
Auckland

OUR correspondent has an honours degree in economics - Editor.

Reply

Gordon Johnson (Auckland): Thank you for sending us the thoughts of Einstein on competition, but - as you point out - your letter has been published in other newspapers.

Reply

A Well-Wisher (Auckland): Thank you for expression of support, but we do not publish anonymous letters. - Editor.

September 15, 1980

September 15, 1980

Politics

Suddenly it is the National Party that is in trouble

by Colin James

A MONTH is a long time in politics. Suddenly during August the unity and confidence of the National Party crumbled. It was a conference in July that was the turning point.

Last week National backbenchers were wandering around in deep gloom muttering (unintentionally) that "things have got to change around here". There were brave (desperate?) words to the effect that they had to put the leg-ropes back on the Prime Minister.

To his eternal credit, Dail Jones, an MP for whom I must say I have hitherto had little respect, went on record in the New Zealand Herald with misgivings that amounted to criticism of his boss. Both Norman Jones and Derek Quigley also publicly beat their breasts.

Norman had got a rude shock the previous week as a stand-in MP delegate to the party's dominion council meeting where much time was given to what one councillor calls the "organisational crisis" in the party, and its causes.

Underlying the debate was implicit criticism of the Prime Minister, chief flag carrier.

Dismayed party members have been asking what on earth he thought he was doing putting Colin McLachlan on the front bench ahead of Jim Bolger (ahead of anyone, for that matter)?

What was he doing going overboard on Tom Scott? Why had he spent most of his badly-attended opening speech in the East Coast Bays by-election attacking Labour on trivial issues instead of putting the case for the Government's economic strategy and development plan?

And why did he choose to approve an Auckland harbour bridge toll rise days before the by-election polling day - and without telling his party? For that matter, why did he send Frank Gill to Washington in the first place and why did he then set the by-election date for the weekend after Social Credit's conference without consultation with the party?

All this came to a head at an Auckland divisional executive meeting the night before the dominion council meeting. The divisional executive considered most loyal to the Prime Minister broke ranks and with only one dissenting voice voted to censure him over the bridge toll affair.

This resentment spilled over into the dominion council with such vehemence that the Cabinet delegate, Lance Adams-Schneider, at one stage blurted that they would not be saying the things they were if the Prime Minister were there.

More resentment. The council unanimously decided, with an emphatic and typically colourful endorsement from Norman Jones (in a reference to his leader's size and resemblance to a certain fruit), to demand that the MPs in caucus assembled hear president George Chapman on how wrong things are going for National in the real world - another jab at the Prime Minister who has repeatedly refused Chapman access to the caucus.

And that was before East Coast Bays polling day, when

they were all - or nearly all - fairly confident of winning.

Since that extraordinary day, and the Prime Minister's comments about poor organisation, the feeling has got more sullen.

It may have an effect on the Remuera selection this Wednesday. Allan Hight, given time off from all parliamentary duties to campaign for his skin, had seemed to be securing a majority.

At press time for this column, he still appeared to have the edge. But the atmosphere of crisis at the centre may well have shaken some of that loose.

The party is not well. Particularly in Auckland, it has not found building membership easy, even in marginal seats. Not for nothing did Dail Jones publicly state his envy of the East Coast Bays organisation's reasonable effort in the by-election.

Even there, there were problems. The usual mass immigration of helpers from other electorates did not materialise. Social Credit outnumbered National 2-1 on the day.

So, was the Prime Minister right? Was it the organisation's fault National lost? No, shout the top organisational people with real anger, especially Aucklanders with all the zeal of new converts (to anti-muldoonism).

How can they motivate branch workers to get subscriptions and new members and how can they get the faithful to come to hear the Prime Minister if the Government is not putting the right policies in place and is not communicating those it has put in place?

And who is the custodian of the policies? Who is the chief communicator? The Prime Minister.

If you think this is familiar, you are right. We are back in December, 1978. With differences, of course. Since then there has been the flexible exchange rate, the textile plan, delicensing of the meat and film exhibition industries, a host of minor changes.

I thought these changes of direction were getting through to the rank and file party members (viz, the harmonious conference). And logically, if that was so, it would be only a matter of time before party members got the message through to the National-leaning public.

Hey presto, election victory, 1981, unless Labour improved.

Apparently it has got through to the party rank and file less than I thought. And prime ministerial personality politics and obfuscations about restructuring since the conference have blocked their ears to such message as could be communicated.

Interestingly, as the Government has appeared to take on board more of the "more market" philosophy, the backbench MPs who were most strident in their insistence on such a move have softened their demands.

They and the Prime Minister have seemed to be moving towards a central meeting point - the MPs accepting some of the Prime Minister's cautionary concern about minimising social disruption during restructuring in return for his giving up some of the old interventionism.

But it seems, to the ordinary party member or sympathiser

seeing all this per medium of the Prime Minister's public posture, the movement appears to much more towards the Prime Minister than the other way.

Not far enough, not fast enough in the right direction, they seem to have decided. Not quite the same as 1978, when they felt it was not even in the right direction, but the net effect seems to be the same - especially since the Prime Minister is back at his old personality politics tricks.

It comes down, to a cliché the Prime Minister particularly detests, to a lack of leadership. Does the ordinary New Zealander have any sense of where he/she is going?

No. That did not matter in the 1960s when the Prime Minister did his apprenticeship under (Sir) Keith Holyoake, master of the affluent status quo. Being where you were was comfortable in those days.

But being where you are these days is damned uncomfortable for most people. They want a way out.

National appeared late last year and even through to the middle of this year to be developing a forward strategy that it thought might just sufficiently catch public imagination to keep it in office in 1981: a freer economy coupled with massive energy-intensive industrialisation.

But the Government has not only failed to sell this strategy but has begun to look at odds with itself over its commitment to it. Consequently the opponents of restructuring and heavy industrialisation are winning the public argument by default.

In short, if Labour had a PLAN, it could hardly ask for a better opportunity to capture the public imagination with it.

Perhaps we shall see such a plan emerge in the Labour

leader's rallies planned for October and November and perhaps it is this that is giving some Labour MPs a belief that the East Coast Bays result means victory in 1981.

For the moment, the only party which sounds as if it believes it has got something different to offer is Social Credit.

And, as East Coast Bays showed, in certain circumstances that can turn New Zealand politics upside down.

Social Credit did not expect, or even really hope, to win. Its canvassing gave National a 10 per cent lead (roughly 45-35), with Labour a distant third at 16 per cent.

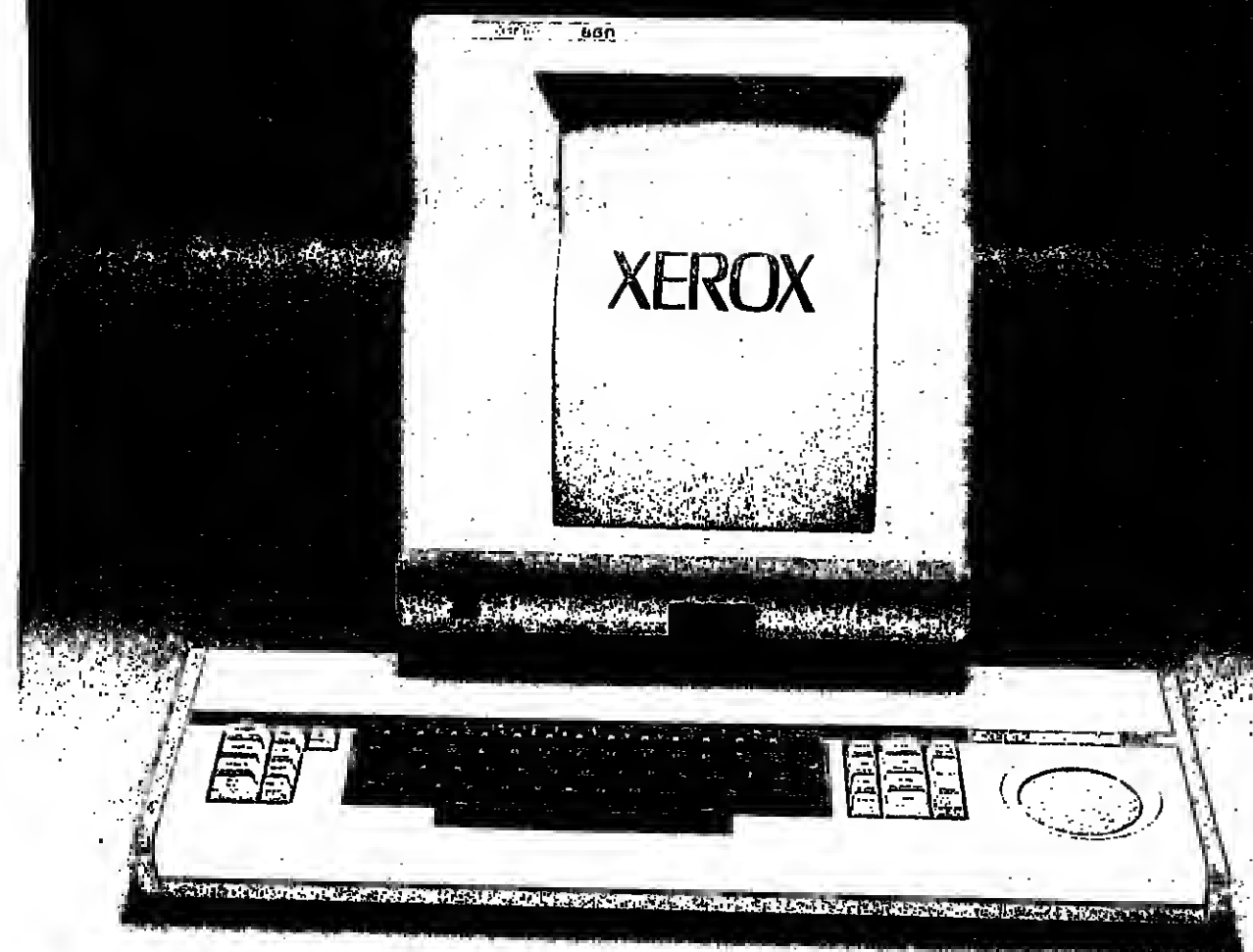
I shall look more closely at the by-election itself and its longer-term lessons, if any, in a future column. In the meantime it should be remembered that factors peculiar to the

locality and the time probably played a big part in the result. The "real" result - that is, minus the Prime Minister's aberrations - is probably closer to Social Credit's canvassing findings.

But it is possible to say at least that the result has focussed National attention on its own problems. Last week both organisation mandarins and MPs, aware of what can happen to their own re-election chances when they let the Prime Minister loose after giving him the feeling he is on top of the heap again, were more determined to keep him on the rails in future.

If they succeed - and, more importantly (and less likely), if they succeed in getting him to project the right message - East Coast Bays may turn out to have been a blessing for them, so they hope anyway. But they are big ifs.

Seeing is believing.



With the remarkable Xerox 850 systems, word processing has become a lot easier and dramatically more productive.

The Xerox 850 page display system has a full A4 size, high quality screen. As a result, visual evidence of what is being typed or revised is always on view.

And your secretary or typist doesn't need to become a part-time computer expert to operate the 850. To correct spelling, change words, lines, paragraphs, even pages, she merely instructs the machine's infallible

'memory' and diskette storage. The result: vastly improved productivity, perfect document quality, all round efficiency, simplicity of operation and cost effectiveness.

If you'd like to see how Rank Xerox has made word processing more productive, call the Rank Xerox Systems Business Division in Auckland now.

One of our expert consultants can give you advice on which Xerox 850 system best suits your needs.

He can also tell you all about our buy, lease or rental options.



Phone Mr Steve Walker, Auckland 541-949,
or contact your local Rank Xerox Office

RANK XEROX
Setting the standards.

Rank Xerox

THE FAMOUS GROUSE
SCOTCH WHISKY
Quality in an age of change.

New Zealand Master Distributors, Fletcher Humphreys & Co. Ltd., Christchurch.

\$10,000,000 First Ranking Debenture Stock

with the right to accept over-subscriptions of \$10,000,000 up to a total issue of \$20,000,000

Earn up to

15%

per annum

Invest for
3, 5 and 7 years
at 15% p.a.

or 2 year term
at 14½% p.a.



Fletcher Holdings Limited —

A company involved in forestry and sawmilling, construction, manufacture and marketing of wire, steel and other building materials, pulp and paper, fishing, tourism and financial and management services —
Invites investments in this \$10,000,000 issue.
Interest will be paid half-yearly.
Minimum investment \$100.

Applications can be accepted only on the application form issued with the Prospectus, which is available from any member of an affiliated Stock Exchange in New Zealand or the Organising Broker, or by completing the coupon.

Organising Broker:
R.A. Jorden & Co.,
P.O. Box 3394, Wellington.

To:
The Registrar,
Fletcher Holdings Limited,
P.O. Box 3510,
Auckland.

Please post me the
Debenture Prospectus
and application form.

Name

Address

Economics

Weighing up the costs and benefits at Tiwai Point

Economics Writer

IN a recent publication, *The Tiwai Point Aluminium Smelter: The National Economic Benefits of Expansion*, the New Zealand Institute of Economic Research discusses the national economic benefit potential of expanding the aluminium smelter at Tiwai Point. NZIER's results "show that the project should contribute economic benefits to New Zealand".

NZIER's research, based on a discounted cash flow approach, indicates that the project appears likely to meet Government standards for the rate of return of investment in national resources, exceeding the usual standard of a 10 per cent return in real (volume) terms on our local resources which are invested.

With inflation running at between 15 and 20 per cent, a real return of 10 per cent implies as much as a 30 per cent rise in the contribution of the third potline to national income valued in money terms. And NZIER claims that the contribution may be even higher because some of their calculations put the real rate of return from smelter development at above 10 per cent.

NZIER's study does not produce a single result "but rather a framework of results which shows the significance of various estimates, assumptions, appraisal methods and criteria. The study was undertaken on a consulting basis for Comalco Limited as an independent and objective analysis, and included confidential inputs from both Comalco and the Crown. These confidentialities remain with the Institute".

The existence of confidential facts makes it difficult to assess NZIER's case in favour of smelter development. Several issues are left to judgement and apparently we are to accept NZIER's reputation for economic research as evidence that it has made the best use of confidential information.

The existing aluminium smelter at Tiwai Point is operated by New Zealand Aluminium Smelters Limited on behalf of the development consortium members — Comalco Limited, Sumitomo Aluminium Smelting Company Limited and Showa Aluminium Industries KK.

Its installed capacity is about 150,000 tonnes of primary aluminium from two potlines used to produce products.

A third potline at the smelter would raise capacity by about 78,000 tonnes a year. Cost of expansion would be \$150 million.

We are not given a breakdown of how the expansion will be financed, but are told that "the project will be substantially overseas funded (both the equity and loan components) so that there will be little drain on the domestic capital markets". Partnership output shares are 78 per cent to Comalco, 11 per cent each to Sumitomo and Showa.

Construction of the potline will begin almost immediately — NZIER says by about mid-1980, but that time has passed. When construction is at its peak, 250 people with the appropriate building and engineering skills will be employed.

The new potline will create about 350 new jobs when

complete. NZIER says that about 75 per cent of those investment funds towards the third potline will be spent in New Zealand to purchase capital. About \$30 million — nearly a quarter — of that will be import content. Some of the investment funds will be spent on identifiable infrastructure costs such as wharf extensions and employee housing.

"The smelter capacity will be operated on the same basis as the existing smelter, with the participants providing their own alumina and taking and selling their shares of the output," the study says. "Operating expenses will be paid to the smelter but sales revenue will be received directly by the participants. Generally participants will only remit funds to New Zealand to meet costs incurred within New Zealand."

NZIER's assessment of the potline development sets out the costs and benefits of the project in each year through the analysis period of 30 years. It says "it has been an 'economic' assessment of national benefit rather than a 'financial' assessment of private benefit" and so "a wider range of items are included as costs and benefits. Items are valued at their true

resource cost to the nation rather than simply market prices".

All local resources used by the project, such as labour, electricity, plant and machinery, fuel, safety clothing and overseas payments made for the project are included on the cost side. NZIER measured the project costs in terms of five main items — profits remitted abroad, overseas interest payments, overseas capital repayments, domestic and imported capital goods, domestic and imported current goods.

The national benefits from the project include the inflow of foreign working capital, equity and debt and the revenue earned from aluminium sales. Each of these benefits involves a remittance of foreign exchange to New Zealand.

NZIER has used a technique called "shadow pricing" to value remittances of foreign exchange benefits and imported cost items. Shadow or "efficiency" prices represent the resource cost or real cost of items to the nation as distinct from the market prices at which goods are bought and sold.

A discounted cash flow approach has two main advantages. Projects can be considered in today's money terms

(that is in real terms) and recognition can be given to the fact that money earned earlier in the project is more valuable than money earned later (since money earned earlier can be re-invested sooner).

If the real costs and benefits are discounted at a 10 per cent rate and the present value of benefits so discounted exceed costs, then it can be concluded that the project has a real rate of return of better than 10 per cent.

Because the project was studied over a 30 year period, NZIER, concerned with lack of knowledge about the future, performed several experiments using different assumptions in order to test the sensitivity of any results to various possible aluminium prices and production costs.

NZIER points out that "as with many cost-benefit exercises, the characteristics of the project are best understood by reference to the array of results and conditions, rather than focussing on a single result".

Space limitations do not allow a full appraisal of all of NZIER's runs, but one factor that has received considerable public attention is the selling price of electricity. NZIER says that "as this increases, the net national benefits also increase. Of course, if the price is too high, then the project would not be viable for the companies involved." Results based on an electricity price of 1c per kilowatt hour give a positive net benefit and the institute considers this to be the appropriate price.

NZIER admits that their results are sensitive to changes in the selling price of aluminium, but do not show us their calculations so that we can know how sensitive they are. All that is volunteered is the information that if electricity costs are high, and foreign exchange is adjusted to provide a 10 per cent premium, a 10 per cent fall in the aluminium price from around \$1600 "reduces the project's return to near the bare 10 per cent criterion".

The main strength of NZIER's research paper is its explanation of how a discounted flow technique may be applied to the evaluation of development projects. The weakness of the NZIER study is the lengths it goes to "sell" the smelter. While claiming that "it is not advocating a more favourable treatment for this or similar projects" its summary of results concludes with a justification for the potline.

But the reader is not provided with enough information to see how the results are calculated or how sensitive they are to different assumptions.

NZIER even makes it difficult for the reader to discover one fact which it apparently meant to make public — the base aluminium price assumption. The price is stated as \$73 per pound. Even a good economist would need a calculator to work out that this is about \$1600 per tonne.

Expansion of the aluminium industry is not in itself a bad thing. But certainly everything has its price. Since it involves the use of scarce local resources, the public has a right to know more detail than that provided by NZIER before the project goes ahead.

Win your way to business understanding

Awards for companies which produce the most effective annual reports for staff

The only qualifications for entry are:

- That you are engaged in business in New Zealand regardless of size, shareholding or product;
- That you have produced during the year a booklet brochure, wall chart, personal letter or other printed means of communication, specifically aimed at explaining your business — and your annual result — to your employees.

Entries close October 30

Send for explanatory leaflet and entry form to:

New Zealand Chambers of Commerce
Win your way to business understanding
PO Box 1071, Wellington or your local Chamber of Commerce

Your name

Company's name

Address

New Zealand Chambers of Commerce Economic Education Programme

